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July 1938

A Brief Summary of Economic Conditions

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IN JULY the wheat harvest occupies the center of the farm scene. The winter wheat crop was reported in early June by the Government the second largest on record, but prices are far below the figures at this time last year. * * * Meanwhile, a full month has passed with little net change in the index of prices of all farm products combined. Prices were indexed at 92 as of June 15, the same as on May 15, after 10 consecutive months of steady decline. * * * In contrast, prices of commodities bought by farmers have declined little. * * * Farmers' cash income from marketings and Government payments for the first 6 months of 1938 totaled about 3.3 billions compared with 3.8 billions a year ago. Industry has felt the lessened farm buying power. * * * Government agricultural news of the month included announcements of proposed limits on speculative trading in grain futures under supervision of the Commodity Exchange Administration, and inauguration of cotton classing and cotton market news services by BAE.

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Commodity Reviews

DEMAND: Slow Recovery

CONDITIONS in the important industries indicate that the low point of the downswing in industrial production which began last fall will be reached some time during this summer; that there will be some improvement in the latter half of 1938. But recovery is not expected to be rapid, and farm products produced this year are likely to be sold under relatively unfavorable demand conditions.

The Government's relief and recovery program is expected to begin to take real effect in the late fall and winter. This, together with decreased inventories, should bring a noticeable revival of activity in many miscellaneous lines of consumers' goods.

The new models should stimulate automobile buying and activity in the steel and other industries affected by automobile output. Building construction is likely to continue as a relatively favorable factor in the situation.

On the other hand, exports of industrial products to foreign countries may not continue to hold up, and the construction of industrial plants and equipment is not likely to expand much, if any, this year.

FARM INCOME: Decrease

Farmers' cash income from marketings and Government payments increased in May, but was 57 million dollars less than in May last year. Total for the first 5 months of this year was 2.8 billion dollars, compared with 3.2 billion in the same period of 1937.

The reduction, amounting to about 11 percent, this year compared with last, has affected practically all producers except the dairymen. Cash income from marketings of dairy products during the 5 months' period this year totaled 629 million dollars compared with 601 million a year earlier.

Producers of fruits and vegetables have been affected most by the reduced income this year, their total from marketings having fallen off from 498 million dollars in the first 5 months of 1937 to 358 million in the corresponding period this year.

In May this year there was a less-than-seasonal increase in income from marketings, with receipts from sales of crops about 23 percent less than in May last year, and from sales of livestock and livestock products about 5 percent less than in May 1937.

Biggest reduction this May compared with last was in receipts from fruits and vegetables, totaling 83 millions this May compared with 118 millions in May last year. Slightly larger receipts from sales of hogs and chickens partially offset reduced incomes from sales of other meat animals, dairy products, eggs, and wool.

	Income from marketings	From Government payments	Total
May:			
1938	$509,000,000	$44,000,000	$553,000,000
1937	577,000,000	33,000,000	610,000,000
April:			
1938	489,000,000	60,000,000	549,000,000
1937	583,000,000	63,000,000	646,000,000

PRICES: Steady

Prices of a number of farm commodities were doing somewhat better in late June, following the long decline since last fall.

As of June 15 the index was 92, the same as on May 15. But this figure represented a decline of 26 percent during the past year. Meanwhile, prices of commodities bought by farmers have declined to 124 in the index, but this is only 8 points less than last August when prices of farm products began to break badly.

During the last month of record—ending June 15—milk prices were seasonally lower, eggs advanced, hogs were up, potatoes were higher, cotton prices declined, wheat prices fluctuated around May 15 figures.

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WHEAT: Rebound 1938

Wheat, recovered from the 5-year low prices in late May, was averaging to farmers the country over about 70 cents a bushel in mid-June. Principal strengthening factors were reports of crop damage. In June a year ago the farm price average was $1.09.

Biggest news being awaited in late June was the July 11 Government crop report on the production of winter and spring wheat, and details of the Government loan program.

Index Numbers of Prices Received and Paid by Farmers

[1910-14=100]

Year and month	Prices received	Prices paid	Buying power of farm products[1]
1937			
June	124	134	93
July	125	133	94
August	123	132	93
September	118	130	91
October	112	128	88
November	107	127	84
December	104	126	83
1938			
January	102	126	81
February	97	126	77
March	96	125	77
April	94	125	75
May	92	125	74
June	92	124	74

[1] Ratio of prices received to prices paid.

Wheat loans are mandatory under the Agricultural Adjustment Act of 1938 if the July 1 estimate exceeds a normal year's domestic consumption and exports. This on the basis of the 10-year average would total about 750 million bushels.

Domestic wheat prices this month—July—will be affected largely by changes in crop developments, and perhaps by the Government loan policy. But with export supplies of hard milling wheats small in other countries, until the new Canadian crop is marketed prices of this type of wheat in the United States may continue strong relative to prices of other wheats.

Latest estimates of area and condition indicate that the Northern Hemisphere (excluding Soviet Russia and China) may produce 3.6 billion bushels of wheat this year. World production excluding Soviet Russia and China may be slightly more than 4 billion bushels—about 225 million more than in 1937.

The June crop report indicated a United States rye crop of about 55 million bushels—about 12 percent more than in 1937. The rye crop in Europe is indicated to be substantially above the small 1937 harvest. European demand for United States rye may be

Prices of Farm Products

Estimates of average prices received by producers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and States.

Product	5-year average, August 1909-July 1914	June average, 1910-14	June 1937	May 1938	June 1938	Parity price, June 1938
Cotton, lb.....cents	12.4	12.7	[3] 12.5	8.4	8.0	16.0
Corn, bu.....do	64.2	68.4	117.2	52.7	52.3	82.8
Wheat, bu.....do	88.4	89.0	108.9	71.4	69.7	114.0
Hay, ton.....dollars	11.87	12.16	10.93	7.91	7.48	15.31
Potatoes, bu.....cents	69.7	71.8	[3] 90.7	55.6	63.7	88.8
Oats, bu.....do	39.9	41.8	48.1	27.5	25.3	51.5
Soybeans, bu.....do	(1)	(1)	149.7	86.7	85.6	----------
Peanuts, lb.....do	4.8	5.2	4.2	3.4	3.5	6.2
Beef cattle, cwt.....dollars	5.21	5.44	7.13	6.25	6.38	6.72
Hogs, cwt.....do	7.22	7.16	9.97	7.35	8.00	9.31
Chickens, lb.....cents	11.4	11.9	14.8	13.1	15.7	14.7
Eggs, doz.....do	21.5	16.7	17.6	17.6	18.2	[3] 20.6
Butterfat, lb.....do	26.3	23.4	30.8	25.0	23.7	[3] 31.6
Wool, lb.....do	18.3	17.5	31.4	18.7	17.7	23.6
Veal calves, cwt.....dollars	6.75	6.77	8.01	7.62	7.73	8.71
Lambs, cwt.....do	5.87	6.30	8.88	6.90	6.84	7.57
Horses, each.....do	136.60	138.90	96.50	87.50	86.30	176.20

[1] Prices not available. [2] Revised. [3] Adjusted for seasonality.

reduced this year; prices may average lower than in 1937–38.

COTTON: Prices Improve

Cotton in June recovered the price decline of late May, on reports of unfavorable growing conditions, increased sales of cotton textiles and strengthening of commodity prices.

On July 1 the average price in spot markets was about 9 cents for Middling ⅞ inch, compared with 8 cents a month earlier. But the average was about 4½ cents less than on July 1 a year ago.

On the supply side, interest centers in the amount of the prospective reduction in this year's world cotton crop; on the demand side, in the prospects for increased mill activity.

The adjustment allotment in the United States calls for a reduction of about two-fifths the acreage planted in 1937; acreage abroad (especially in China) also is expected to be much less than last year.

Domestic cotton mill activity improved in June, but was much less than in June a year ago; foreign mill consumption also has been below a year ago, but by a smaller margin than in the United States.

United States exports of cotton totaled 5.2 million bales during the 10 months ended May 31, or only little more than during the corresponding period last season Recent indications have been that exports for the full year ended July 31 may be about 5.5 million bales compared with 5.4 million bales exported during the 1936–37 season.

The 1937–38 world consumption of cotton is expected to be about 10 million bales less than world production. This would mean a world carry-over of about 24.3 million bales on August 1, or about eight-tenths larger than on that date last year, and one-third larger than the previous record carry-over of 1932.

A marked reduction in this year's world production is necessary, if the supply during the coming season is not to exceed the burdensome record supply of the season now drawing to a close.

CORN: Prices Hold

Stability in the corn market during the past 4 months has apparently been due largely to the Government corn loan program. Prices are expected to remain near present levels, provided the new growing season is about normal.

Growing conditions have been unusually favorable for oats and barley this season; in June it was expected that supplies of these 2 grains will be much larger than in the past 2 marketing years.

Exports of corn continued large during the spring months; from October 1 to June 4, exports totaled more than 85 million bushels—largest movement for the period since 1921–22.

Exports of barley and oats have also been large compared with recent years, about 10 million bushels of each of these 2 grains having been exported during the first 11 months of the 1937–38 marketing year.

BEEF CATTLE: Prices Up

Prices of most grades of slaughter cattle were the highest in early June for this year to date. Prices of the lower grades were moderately less than a year ago, and stocker and feeder cattle were selling about the same as a year ago. Prices of the better grades were 20 to 25 percent less than in early June last year.

The better grades of slaughter cattle usually advance in price in summer and early fall, but the rise this year may not be marked or long maintained, on account of the weak consumer demand. Marketings of cows and heifers are expected to increase seasonally, and prices of the lower grades of slaughter cattle and of stocker and feeder cattle are expected to weaken in the summer or early fall.

About the same number of cattle may be slaughtered in the second half of this year compared with last, but the total dressed weight will be heavier. Old-crop feed supplies are plentiful; range and pasture conditions are good.

The demand for stocker and feeder cattle has been strong this year, at

prices high relative to prices of slaughter cattle. Shipments of stocker and feeder cattle and calves from public stockyards to the country were larger during the first 5 months of the year compared with the same period of 1937, but less than the 1924–33 average for the period.

The demand for stocker and feeder cattle reflects the abundant feed supplies and the comparatively small number of hogs to be fed. Demand for these cattle is expected to continue strong if conditions for feed crops and pastures in the Corn Belt and other important feeding areas remain favorable.

But if range and pasture conditions in the western Great Plains continue to improve this summer, a larger-than-usual number of cattle may be held there for grazing and replacement. This would mean a less-than-average movement of western cattle to Corn Belt feed lots this year.

HOGS: Reduced Supply

Conditions point to steady to higher prices for hogs this summer. Marketings probably will be reduced seasonally during July and August; storage stocks of pork and lard are relatively small. A limiting factor, pricewise, is the weak consumer demand for meats.

Hog prices advanced from mid-May to early June, on failure of hog marketings to increase as much as had been expected, and because of the small storage stocks. But the average price of hogs at Chicago in mid-June was nearly $2.50 less than a year earlier.

June 1 storage holdings of pork totaled 451 million pounds; they were about 32 percent smaller than a year earlier. Stocks of lard—124 million pounds on June 1—were about 36 percent less than a year earlier.

The decrease in stocks of pork and lard this June 1 compared with last—amounting to 284 million pounds—was equivalent to the products obtainable from about 1.8 million head of hogs of average market weight.

The pig crop report of BAE, issued June 29, indicated a 13 percent increase in the 1938 spring crop compared with the spring of 1937. An increase of 9 percent in number of sows bred to farrow this fall compared with last was also indicated.

LAMBS: Prices Weak

Indications are that marketings of new-crop lambs will be larger this summer than last, but there will be a reduction in grass-fat yearlings marketed from Texas. From each of the principal summer marketing areas including the native sheep States, Idaho, and the Pacific Coast States marketings will be larger this summer than last.

Marketings of old-crop shorn lambs and early spring lambs were relatively large in May; inspected slaughter of sheep and lambs was the second largest for the month on record. Prices are much lower than a year ago, reflecting the larger marketings, the weak consumer demand for meats, and the relatively low prices of pelts and wool.

Winter and spring losses of sheep and lambs in the Western States were smaller than a year earlier, and less than the average of recent years. Early summer sheep ranges are in generally good condition.

Early lambs have developed well in Texas, Oregon, and Washington, and fairly well in Idaho. A good crop of late lambs is reported in the northern section of the western sheep States, and a larger crop than last year in Texas.

Sheep and lambs generally wintered well in the native sheep States, and were in better-than-average condition this spring. Market supplies of new-crop native lambs probably will be relatively large this year.

Reports from the western States in mid-June indicated there has been practically no contracting of feeder lambs for fall delivery; that the demand for stock sheep has been relatively weak.

Market prices of lambs are expected to decline seasonally this summer, but the decline may be less than average since prices now are at a relatively low level.

WOOL: New Season

The 1938 domestic wool clip is moving to market. Its size is probably about the same as, or slightly smaller than, in 1937.

Favorable factors in the domestic wool situation include the apparent strength in foreign prices during recent months, and the stabilizing influence of the Government loan program.

Unfavorable are the relatively large supplies of wool here and abroad, and the current low rate of domestic mill consumption. Mills hold a relatively small volume of unfilled orders.

Domestic mill consumption in the first 4 months of this year was the smallest for the period in 21 years of Government record. Some improvement in mill sales of wool goods was reported in late May; but orders for fall season wear have been less than in the last 2 years.

The spread between domestic and foreign prices of wool is somewhat less than the United States tariff. Imports have been quite small in recent months; imports are expected to continue small during the remainder of this year.

TRUCK CROPS: Increases

Nine thousand carloads of truck crops—biggest volume of the spring season—moved to market during the week ended June 11. Shipments dropped 535 cars the following week, and about three-fourths of the total included watermelons, tomatoes, cantaloups, and similar muskmelons.

Market prices of nearly all truck crops had declined seasonally by mid-June. Compared with a year ago, about a dozen crops were selling lower, only five or six were selling higher. The crops were making slow growth in early June, affected in some areas by too cool or too rainy weather.

Production of snap beans in the second group of intermediate States has been indicated at about 1,500,000 bushels, or about one-fourth more than the 1937 crop The intermediate crop of beets is indicated at 30 percent above the 1937 output.

The 14 States growing an intermediate crop of cabbage expect a record production of 243,700 tons this year—46 percent more than the 10-year average. Production of second-early cantaloups is indicated about 7 percent more than last year's crop.

The first section of late lettuce States is indicated to have 30,860 acres in lettuce this year, or about one-fifth more than average. Fewer onions are expected to be harvested in the intermediate States, June condition reports indicating a decrease of 30 percent.

A slightly smaller production of green peas is indicated for the first group of late States, but the crop is still expected to be about 40 percent above average. Tomatoes in the intermediate States may be a slightly smaller crop than in 1937, but almost 30 percent above average.

POTATOES: Better Priced

Potatoes in mid-June were among the few products selling higher than a year ago. Prices of old potatoes rose slightly as the marketing season neared completion. It is expected that unless a relatively large late crop develops this season, prices probably will decline less than usual during the next few months.

Shipments from the early and second-early States (except California) were about completed in late June. Marketing of the bulk of the crop was prolonged over a longer period than usual and there was no crowding of shipments.

Volume of marketing in the next few months is expected to be less than a year ago; a reduction in the size of the late crop also is expected. Acreage in the first section of intermediate States was reduced 12 percent this year, but higher yields canceled most of the difference.

FRUITS: Average Crops

About average fruit crops are in prospect. But the relatively low

buying power of consumers suggests that prices to growers may not be much improved over prices received for the large 1937 production.

Incomes of industrial workers are an important measure of consumer buying power for fruits; incomes are about 30 percent less this year than last. Another unfavorable factor is the unusually large carry-over of canned and dried fruits.

Reduced demand for fruits for canning and drying is in prospect; this will force a larger-than-usual proportion of the deciduous fruits into fresh fruit marketing channels.

Apples and peaches were greatly damaged by late frosts in the Central and some Northeastern States, but a large supply of peaches is expected in the Southern and some Western States. The West expects a large apple crop.

Pears and cherries were damaged by frost in the Central States, but the reduction is likely to be more than offset by record large crops in the West. A light crop of California apricots is in prospect, but good crops of western prunes and grapes. Another large crop of citrus fruits is indicated.

DAIRY PRODUCTION: Heavy

High record production and reduced consumer demand featured the dairy situation in mid-June.

The seasonal peak in production has probably been reached, but prospects are for milk production to continue larger than a year ago. Pastures and crop prospects are good; supplies of feed on farms are above average for this season of the year.

Government purchases have supported the butter market. And on June 10 the AAA announced arrangements whereby the Commodity Credit Corporation would loan sufficient funds to buy up to 50 million pounds of butter. (This butter, however, would be available for resale on the open market.)

Production of principal manufactured dairy products in April was the largest on record for that month. Apparent consumption also increased; for the first time this year, consumption was larger than in the corresponding month in 1937.

Some shift in consumption, from oleomargarine to butter, has been noted as the retail margin between these two products has narrowed. But consumption of fluid milk and cream at the principal eastern markets was less this April than last.

Dairy products have been moving heavily into cold storage; stocks of butter and cheese on June 1 were the largest on record for that date. Cold storage stocks of creamery butter totaled 54.4 million pounds on June 1, or 21.5 million more than a year earlier.

FATS AND OILS: Big Supply

Features of the fats and oils situation are the large supply of cottonseed oil from the record 1937 cotton crop and the continued weakness in consumer purchasing power.

Consumption of cottonseed oil in 1937–38 probably exceeded that of any previous year, but there is a large carry-over of both seed and oil into the new season.

Domestic prices of all fats and oils continue much below 1937 figures.

POULTRY: Increase

A 24-percent increase in the output of baby chicks this May compared to last has been reported to the BAE by 425 hatcheries widely distributed over the country. Increases were indicated in all geographic regions except the Middle Atlantic and Pacific Coast States.

The Bureau estimated a 10-percent increase in the number of hatchery chicks produced from January through May this year compared with last; and an increase of 20 percent above the 1933–37 average for the period.

Advance orders as of June 1 for chicks to be delivered in June or later were also in excess of orders on the same date last year. Reports from 284 plants showed a total of 5.5 million chicks on order this year, compared

with 2.8 million on June 1, 1937. The increase is almost 98 percent.

Interest in late hatched chicks has been stimulated recently by the continued fairly steady tone of the poultry markets and the advance in egg prices.

The Harvest Scene Changes

ANOTHER wheat harvest is on. Combines roll through the fields, cutting, threshing, delivering the grain in a continuous operation. The harvest has been largely mechanized. Twenty years ago vast armies of farm laborers were employed; today relatively few men do the work of many.

Twenty years ago laborers were recruited from far and near to help with the wheat harvest in the Great Plains States. Workers were recruited from large cities, villages, towns, and even in farm communities outside the Wheat Belt. Many college students worked in the wheat fields. Starting in Texas and Oklahoma in early June these recruits followed the harvest northward. Many were able to find 75 days of employment in the wheat fields.

Those were the days when combines were seldom seen outside of the far Northwest and California; when binders or headers were used to cut the grain and stationary threshers were used for threshing. A survey made by the Bureau of Agricultural Economics indicated that about 6.5 hours of man-labor were required to harvest and haul to the local shipping point in the Great Plains area the output of an acre of winter wheat.

LARGE-SCALE importations of labor into the Wheat Belt are no longer made at harvest time. During the past 10 years or more, technical advances in the manufacture of the combine-harvest-thresher have produced sizes that can be used efficiently even on diversified farms where wheat is not the sole source of revenue. Under normal conditions wheat can now be cut, threshed, and hauled to local shipping points, in the heart of the Winter Wheat Belt, with an expenditure of no more than one-third of the man-hours of labor per acre formerly required.

Small sizes of combines have been purchased by farmers in increasing numbers. Last year about 22,000 were produced by domestic manufacturers, whereas in 1928 only about 10,000 were made in this country.

The rapid increase in the number of combines has enabled farmers to harvest large wheat crops with a much smaller labor force than was formerly necessary. The farm operator and his family now have to be supplemented with fewer hired hands to accomplish the same amount of work.

A CONSIDERABLE seasonal fluctuation in the number of hired workers still persists, however, since the mechanization of the farm plant has included planting and tillage implements as well as harvesting machinery.

In parts of the Great Plains wheat-producing area, the tractor and larger sizes of planting and tillage implements have almost completely superseded the use of horses and the small units of farm equipment. This development is not universal, however; in some sections many horses are still used and tractors of today are, on the average, somewhat smaller than the tractors of 10 to 15 years ago.

This year, some binders have had to be put back into active service to handle the rank growth of grain lodged as a result of above-normal rainfall. Seasonal shifts in the size of the labor force, therefore, are still quite substantial. In Oklahoma, Kansas, and Nebraska, it is estimated that 40,000 hired hands were added to the labor force during June to assist primarily with the wheat harvest. This raised the number of hired workers employed on farms in these States to more than double the number employed on the first of the year.

R. F. HALE.

The Corn Stabilization Program

THE corn program provided for in the 1938 Agricultural Adjustment Act is designed to stabilize corn supplies and prices through the use of commodity loans and marketing quotas, in conjunction with the acreage allotment feature of the Agricultural Conservation Program.

The program applies to corn produced in the commercial corn-producing area, rather than to all corn. This area includes all counties in which the ten-year average production of corn, after excluding corn for silage and adjusting for abnormal weather, is 450 bushels or more per farm and 4 bushels or more for each acre of farm land.

The Commodity Credit Corporation is directed to make loans on corn whenever the November crop estimate is in excess of a normal year's domestic consumption and exports, or the farm price of corn is below 75 percent of the parity price on November 15.

A normal year's domestic consumption and exports is defined as the average yearly quantity of corn, wherever produced, consumed in the United States, together with the quantity of domestically produced corn exported during the most recent 10-year period, adjusted for current trends in demand. The current parity price is 83 cents per bushel. It is reasonable to expect that a normal year's consumption and exports will be set somewhere between 2,350,000,000 and 2,450,000,000 bushels for 1938–39.

THE loan rate for cooperators in the commercial area will be 75 percent of the parity price if the estimated production does not exceed a normal year's consumption and exports, 70 percent if production exceeds a normal year's consumption and exports by not more than 10 percent, 65 percent if the excess is between 10 and 15 percent, 60 percent if the excess is between 15 and 20 percent, 55 percent if the excess is between 20 and 25 percent, and 52 percent if the excess is more than 25 percent.

Cooperators outside the commercial area can obtain loans at 75 percent of the regular level, while noncooperators in the commercial area can obtain loans, on such corn as they may be required to store, at 60 percent of the regular level whenever marketing quotas are in effect. Corn loans cannot be offered, even to cooperators, if marketing quotas are voted down in the referendum which must be held following their announcement.

Provision is made for an acreage allotment under the act, and it can be expected that this allotment will also be used under the Agricultural Conservation Program. Within the commercial area, the acreage allotment for any year shall be that acreage which, at average yields, will result in a supply of corn, including the carry-over at the beginning of the next marketing year and the estimated production of corn outside the area, equal to the reserve supply level. The reserve supply level is a normal year's domestic consumption and exports of corn, plus 10 percent.

THE act provides that marketing quotas shall be in effect whenever the total supply of corn as of October 1 exceeds a normal year's domestic consumption and exports by more than 17.7 percent. With an assumed normal year's domestic consumption and exports of 2,400,000,000 bushels, a 2,825,000,000-bushel marketing-quota level would be indicated.

The Secretary is directed to announce marketing quotas by August 15 whenever the August estimate indicates that the supply of corn will be equivalent to the marketing-quota level on October 1. A referendum is to be conducted among the farmers affected within 20 days after the announcement. If more than one-third of the farmers voting oppose the quota, the Secretary is directed to

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declare it ineffective prior to September 10. The quota is also to be declared ineffective if the September estimate indicates that the supply of corn will not be equal to the marketing-quota level.

If marketing quotas are announced, the Secretary is directed to determine the acreage in the commercial area which, together with the estimated production outside the area, will make available a normal supply of corn for the marketing year beginning October 1. The normal supply of corn is defined as a normal year's domestic consumption and exports, plus a 7 percent allowance for normal stocks of old corn. The percentage of the allotted acreage required to produce this amount shall be proclaimed as the marketing percentage, which is to be used in calculating storage amounts and marketing quotas for each individual farm.

THE marketing quota for any farm shall be equal to the amount of corn used for silage and the actual production of the corn acreage not used for silage, less the amount required for home consumption and the storage amount. The storage amount, in turn, is the smallest of (1) the estimated production at average yields of corn acreage in excess of the marketing percentage of the farm acreage allotment, (2) the amount by which the actual production of the corn acreage exceeds the normal production of the marketing percentage of the farm acreage allotment, or (3) the amount of the actual production of the corn acreage not used for silage, in case the acreage of corn on the farm does not exceed the marketing percentage of the farm acreage allotment. If the storage amount is less than 100 bushels or the normal production of the acreage planted to corn is less than 300 bushels, all of the corn produced can be marketed.

A farmer shall be assumed to be in compliance so long as the amount of corn stored under seal on his farm or under his control is equal to, or in excess of, the storage amount. When the amount of corn stored under seal is less than the storage amount, a farmer shall be presumed to have marketed corn in violation of his marketing quota, unless he can prove otherwise, and shall be subject to a penalty of 15 cents per bushel of the excess so marketed.

IN addition to the program just described, section 303 of the Agricultural Adjustment Act of 1938 provides for parity payments on corn to the extent that funds may be appropriated. The relief bill for the fiscal year 1938–39 includes an appropriation of $212,000,000 for parity payments on corn, cotton, wheat, tobacco, and rice, with the proviso that the parity payment for corn shall be made on the normal production of the allotted acreage of corn in the commercial area to farmers who cooperate in the Agricultural Conservation Program for 1939.

ALTOGETHER, the program should (1) stabilize supplies of corn available for domestic consumption and export, (2) raise and stabilize the price of corn relative to what could otherwise be expected, and (3) raise and stabilize the incomes of corn and livestock producers, especially in the Corn Belt. To the extent that corn and livestock production are stabilized, farmers should tend to receive a somewhat greater cash income, even apart from such direct payments or grants as they may receive under the program.

In addition, stabilization should lower costs of production through some reduction in labor and equipment costs as a result of closer adjustment of corn and livestock production to market demand, through the incentive toward more efficient feeding which a firm corn price would provide, and through such gains as may accrue from the conservation of farm land.

O. V. WELLS,
Agricultural Adjustment Administration.

Barriers to Interstate Trade

THREE types of State legislation which are hampering interstate commerce in farm products include licensing requirements and taxes on out-of-State trucks; regulations dealing with weights, sizes, and equipment of out-of-State trucks; and port of entry laws.

A number of States collect no ton-mile taxes and make no attempt to require out-of-State private carriers to take out licenses so long as the truckers do not engage in intrastate business. But usually, the granting of such favors is dependent upon the conferring of reciprocal privileges by the other States concerned. Typical of the States in this group are Massachusetts, New York, California, and Ohio.

But a second group of States, at the other extreme, requires practically all out-of-State trucks which come across the line to register and pay a fee, or to pay higher ton-mile taxes than domestic trucks. States in this group include Arizona, Kansas, Oklahoma, and Wyoming.

Many other States have laws which lie between these two extremes. Typically, they have strict general requirements as to the licensing of out-of-State vehicles which they appreciably liberalize through special reciprocity agreements with certain States. Representative States in this group are Florida, Colorado, Minnesota, and Virginia.

OBVIOUSLY, if only a few trips are to be made, the cost of securing out-of-State licenses may place a considerable burden on the "foreign" trucker.

The out-of-State farmer who wishes to enter Wyoming, for example, even for a single trip with his 1-ton truck is required, according to the regulations of that State, to pay the annual fee of $7.50. If his truck weighs 2 tons the fee is $30. For heavier vehicles the fee is graduated steeply upward.

In addition to the license fee the trucker must pay a county registration fee, the amount of which depends upon the age and factory price of the truck. If the trucker engages in "for hire" business additional fees are collected and a mileage tax of 2 mills per revenue ton-mile must be paid.

The actual amount of the license fees vary greatly from State to State. On common carriers the fees may amount to $300 or $400 a year.

THERE is abundant testimony that registration and ton-mile taxes are an important discouragement to interstate commerce. Not infrequently farmers are led to protest against requirements of their own State on out-of-State trucks.

Colorado potato growers in August 1935, for example, appealed to the State Public Utilities Commission to relax its requirements so that out-of-State truckers could come in and move their crop. When their petition was rejected and they were threatened with serious loss, they offered to pay the tax themselves if outside truckers would come into the State.

Similar conditions prevailed recently in South Carolina. Peach growers there successfully petitioned that the State's license requirements be

Cooperating with State agencies, the Bureau of Agricultural Economics is studying laws affecting interstate trade in farm products.

It is hoped that these studies may point the way to a better program of legislation which will promote free internal trade in the interests of producers, dealers, and consumers.

The accompanying article discusses one phase of the situation—State laws and regulations dealing with interstate motor-truck transportation. Other types of laws affecting interstate trade will be discussed in subsequent issues.—Ed.

relaxed on foreign trucks so that they might be permitted to come into the State and help haul South Carolina peaches to out-of-State markets.

From Connecticut complaints have been received that "some of our growers have run into serious difficulties in trucking farm products into Maine, because Maine requires that all trucks of more than 1½ tons capacity must be registered in Maine and pay their regular license fee."

From Kansas, complaint is received of "interminable trouble in farm truck transportation between our neighboring States. It is reported that the laws and rules and regulations, particularly of Oklahoma and Missouri, almost make it prohibitive for Kansas farm trucks to cross the line."

STATE legislatures have been active in passing laws and authorizing administrative regulations dealing with the weight, size, equipment, and insurance of motor vehicles. The variety and nonuniformity of these laws have constituted an appreciable hindrance to interstate commerce; moreover, the limits set, as for example those on the size and weight of motor vehicles, may be so low as to prevent long-distance hauling.

Every State has established permissible maximum gross or net weight weights in connection with motor vehicles. But the maxima permitted vary greatly. Some States determine permissible weights by formulas which take into account the distance in feet between the first and last axles; others make the basis "tire width, wheel load, axle load, net load, or gross weight, either for a single vehicle or for specified combinations of vehicles."

The spread in permissible maximum gross weight for any vehicle or combination of vehicles is obviously very great from the 18,000 pounds authorized in Kentucky and Tennessee to the 120,000 approved by Maryland and Rhode Island.

Significant from the standpoint of interstate commerce is the wide difference in permissible maxima authorized by pairs of contiguous States. Thus Connecticut allows gross weights of 40,000 pounds and Rhode Island 120,000 pounds, Wyoming 48,000 and Montana 92,000, Kentucky 18,000 and Illinois 72,000.

AT least four States, although permitting tractor-semitrailers, do not allow full trailers to be used. At the other extreme, 11 States have no limitation at all on the number of trailer units. The length permitted on combinations, whether tractor-semitrailers or trucks with full trailers, also varies within wide limits. Kentucky permits a maximum length of 30 feet, Georgia specifies 85 feet, and Maryland has no limit at all.

There is also a great mass of legislation having to do with particular parts of the truck or the equipment which must be carried. Lights, mufflers, fenders, steering gear, windshield wipers, defrosters, tool kits, fire extinguishers, locks and keys, bumpers, windshields, and fuel tanks have been objects of extremely detailed, highly divergent, and sometimes obscure legislation.

The Interstate Commerce Commission, under authority of the Motor Carriers Act of 1935, has issued regulations setting up uniform safety and equipment standards for interstate carriers. But legislation dealing with sizes and weights has not yet come under I. C. C. control, and these laws continue to be a hindrance to interstate commerce. They effectively bar trucks which can operate in certain States from operating in others.

UNDER port of entry legislation, States have set up checking stations at points where main highways enter the State. Here officials halt incoming (and in some cases outgoing) traffic in order to subject motor vehicles to certain regulations, inspections, and taxes.

Kansas, which inaugurated this type of legislation, experimented in 1933 with the policing of its borders to keep out bootleg gasoline, and on January 1, 1934, put into effect a full-fledged port of entry system.

Under this program all trucks entering the State are required to obtain proper clearance.

The carrier not having a Kansas registration is required to fill out a rather elaborate form describing the truck and its load, and the proposed route of travel in the State. State officials are required under the law to inspect the truck and its equipment to make sure it meets Kansas requirements, to check for proper insurance coverage, and to collect taxes which vary with the weight of the vehicle and the distance it is to travel in the State.

THE Kansas plan has spread rapidly, having been adopted in one form or another by Oklahoma, Nebraska, Arizona, New Mexico, California, Idaho, Utah, and Colorado. Kansas has 66 ports of entry, Oklahoma has 58. The Kansas act has been in force less than 5 years, but the State is now completely surrounded by States which have adopted port-of-entry legislation.

Joint action against the Kansas law has been taken by the Kansas City, Kansas, and Kansas City, Missouri, Chambers of Commerce. Truck shipments of livestock have been especially affected by Kansas and Oklahoma border station inspection.

A leading Kansas livestock shipper, discussing the system in these two States, declares: "These ports of entry with their resultant formalities have been a decided factor in diverting certain livestock shipments from an interstate haul to an intrastate haul."

GEORGE R. TAYLOR.

New Services for Cotton Growers

REGULATIONS covering South-wide cotton classing and market news services for growers have been issued by the Bureau of Agricultural Economics.

Authorized by Congress, the Bureau will class cotton for producers "organized to promote the improvement of cotton" and distribute information "on the market supply, demand, location, condition, and market prices for cotton."

FOR SEVERAL seasons, the Bureau has been classing cotton for ginners and growers in connection with the issuance of grade and staple estimates. This service attracted widespread attention; it was soon in demand over much of the Cotton Belt.

Congress now has made possible expansion of the services to all groups of growers organized to promote the improvement of cotton who comply with the regulations under the amended Grade and Staple Estimates Act.

The expanded service provides that for each bale of cotton of an improved variety ginned for a member of a qualified group, a sample of approximately 6 ounces, representative of both sides of the bale, is to be drawn, identified, and prepared for shipment to the nearest classing office of the Bureau, at the expense of the organization or member.

Transportation, tags for identification and containers for shipping samples will be supplied at Government expense, but the samples classified become the property of the Government.

In addition to the regional offices at which Federal classing already is available, field classing offices will be operated at a few key points in the Cotton Belt. The classing of samples at these offices, including time required for transportation to the office and return of the notification of the grade and staple, probably will average 3 to 6 days.

IN ACCORDANCE with provisions of the regulations, the member's cotton fields on which seed stocks are to be produced shall be so located as to prevent or minimize cross pollination. The purpose of excluding cotton not produced under supervision of the group is apparent.

Regulations provide that the seed planted shall be of varieties and seed

stocks agreed upon by the majority of the members as best adapted to the community. The cotton shall be ginned so as to prevent mixing the seed or lint of one variety with the seed or lint of other varieties or other communities.

These regulations rather fully embrace as part of compliance, required adherence to practices approved by the Department and other agencies for adequate improvement of seed stocks and protection of these superior stocks against deterioration.

BUREAU investigations have revealed that central market premiums and discounts on cotton are not fully reflected in prices at local markets. They have shown that premiums to growers for grades above Middling amount on the average to about a third of the premiums quoted at central markets. Discounts made to growers for grades below Middling amount on the average to less than two-thirds of those quoted in central markets.

The cotton market news services, a supplement to the classing service, will inform producers the extent to which central market premiums and discounts are reflected in local prices. This information will be distributed through the usual channels of press, radio, and published releases and by posting at gins, post offices, and other public or conspicuous places, prices for the various grades and staple lengths of cotton.

REQUESTS for the classing and market news services shall be made in writing to the Bureau by an authorized representative of the improvement group. The regulations provide that each application for the classing service be certified by a committee representing the Bureau of Plant Industry and the cooperating State agencies, and that the group making the application is properly organized and in a position to comply with the regulations under which the act is administered.

C. H. ROBINSON.

Estimating The Apple Crop

THE apple crop is one of 25 fruit and nut crops on which the Crop Reporting Board of the Bureau of Agricultural Economics issues regular estimates of production. During the 1937 season, however, more interest was displayed by growers and growers' organizations in the estimates of apple production than in all the other fruit crops combined.

Three factors were largely responsible for this unusual interest: (1) the apple crop of 1937 was the second largest in the past 22 years; (2) prices received by growers were unusually low; (3) the Bureau discontinued estimates of the "commercial" crop beginning with the 1937 season.

Attention was focused on the discontinuance of the "commercial" estimates. Apparently, it occurred to many growers that the commercial estimates, being smaller than total production, were the better figures on which to base prices and marketing policies.

ESTIMATES of the "commercial" crop, which represented that part of the total crop sold for fresh consumption (and did not include sales for processing) had been published since 1918. These estimates had been developed to fill the demand for information on a particular portion of the commercial crop, and since this part (sales for fresh consumption) represented such a large part of total sales, the estimates were designated as "commercial" apple production. These were published by States as a supplement to the regular estimates of the total crop.

The "commercial" apple estimates were established at a time when most of the movement to fresh markets consisted of carlot shipments by rail. Records of these shipments were used at the end

of the season in checking and adjusting the preliminary "commercial" estimates. Since 1930, however,the Crop Reporting Board has been faced with increasing difficulties in making reliable estimates of "commercial" apples.

THREE major difficulties now make it virtually impossible to obtain an accurate check on fresh market sales:

(1) The movement of apples to fresh markets by motortruck has become quite heavy. In the Eastern States the truck probably accounts for more than half the tonnage of apples moving into fresh market channels.

Since there are no records of this motortruck movement, it is no longer possible to make an adequate check of the estimates of apples sold for fresh consumption. Carlot shipment records by rail are still available, but these have decreased to such a small part of total movement in many Statesthat they are no longer a reliable index of fresh sales.

(2) The Census data on sales, which formerly were used to adjust the Bureau's "commercial" estimates, are no longer collected, because of the difficulty in obtaining accurate information on this item.

(3) It is believed that the old relationship between fresh market sales and total production has changed during the past decade. Coincident with the heavy removal of trees in farm orchards since 1910, a larger part of the total apple crop is now produced in commercial orchards. It is also probable that the motortruck has tended to give a wider distribution of apples into small towns and communities which formerly were relatively inaccessible to these supplies.

IN addition to the increasing difficulty of checking the final estimates of "commercial" production, the factors affecting the monthly forecasts of "commercial" apples have become more complex. Forecasting in midseason the quantities of apples which will be sold in fresh markets requires a correct evaluation of several economic factors affecting these sales. Besides the size of the total crop (of which the Bureau has a fair measure), other factors which influence the volume of fruit entering fresh market channels are: (1) the quality of the fruit, (2) the season's level of prices to growers, (3) the export situation, (4) the demand for fruit for processing, and (5) the increased production of competing fruits, such as oranges and pears. During recent years the net effect of the economic factors has become increasingly difficult to evaluate.

SINCE facilities were not available for collecting adequate records of motortruck shipments, the Bureau of Agricultural Economics decided to discontinue the "commercial" apple estimates rather than carry them on an unsound basis. With the discontinuance of "commercial" apple reports the estimates of production of all fruit crops are now on the same basis—that of total production. Estimates of the total apple crop are issued monthly during the growing season and are comparable with the estimates of other fruit crops.

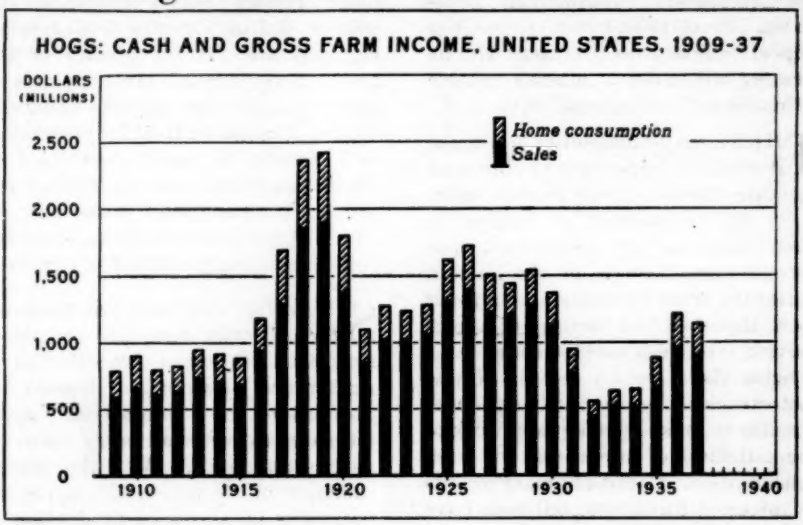
It is recognized, however, that supplemental estimates of fruit production in commercial areas would be useful to growers and the trade alike. Estimates of this nature would differ from the old "commercial" apple estimates in that they would represent total production in commercial areas and would correspond roughly to that part of the crop produced primarily for sale, including sales to processors as well as sales for fresh market.

Such estimates would be entirely independent of the complicating effects of economic factors. Since production factors alone would be concerned, it should be possible to forecast or estimate production in commercial areas fairly accurately.

Should there be sufficient demand for such information, and should facilities permit the additional undertaking, it is planned to explore the possibilities of inaugurating estimates of total production in the commercial areas of each important apple State.

R. ROYSTON.

Hog Income Reduced in 1937 [1]



FARMERS' cash income from the sale of hogs, pork, and lard in 1937 is estimated at about 907 million dollars, compared with 965 million in 1936. Receipts from the sale of hogs in 1937 were more than double those of 1932, and about one-third larger than the pre-war average of 678 million dollars.

The income from hogs varied greatly during the period 1909 to 1937, due chiefly to changes in price resulting from changes in supply and in domestic and export demand. The highest income was in 1919 when returns from sales of hogs, pork, and lard totaled 1.9 billion dollars. Income dropped to less than one-fourth of this amount at the bottom of the depression in 1932.

THE income to farmers from marketings of hogs in the years 1934 to 1936 was affected by processing taxes, and benefit payments were made to hog producers who participated in the hog adjustment program. In 1934 farmers received 159 million dollars in rental and benefit payments on corn and hogs, of which approximately 103 million dollars were adjustment payments on hogs.

In 1935 corn-hog rental and benefit payments totaled 238 million dollars with about 134 million dollars being credited to the hog adjustment program. In 1936 91 million dollars in corn-hog rental and benefit payments were paid to farmers for compliance with adjustment programs in 1935 and included about 35 million dollars in payments on the hog program.

The collection of processing taxes for these payments reduced prices to farmers and thus reduced the income received directly from marketings. These payments, however, are not of exactly the same character as income from the production of hogs. Furthermore, after invalidation of the tax and production control, producers of hogs received conservation payments which are less directly related to the sales or production of hogs. It seems best, therefore, to treat benefit payments separately as income to farmers more directly related to the conservation payments which cannot, as a practical matter, be allocated to specific products.

CHANGES in consumer purchasing power are an important factor affecting hog prices and the farm income from hogs. Since 1920 the

[1] This is the third of a series of income estimates by the Bureau of Agricultural Economics, for the period 1909 to date. These estimates were prepared by A. C. Brittain and C. L. Harlan under the direction of the Farm Income Committee.

changes in income from hogs have followed fairly closely the changes in industrial payrolls.

The high level of income to industrial workers in the period 1923–29 was an important factor in maintaining a high level of income from hog production in those years. The foreign demand for hog products was also a factor of some importance. In these years more than 10 percent of our pork products was exported.

After 1930 exports declined sharply both absolutely and relatively. In 1923 the exports of hog products were equivalent to about 12.7 million hogs or more than 16 percent of the total slaughter in that year. By 1932 exports had fallen to the equivalent of about 4.6 million head or about 6 percent of the total slaughter notwithstanding the very low prices. As prices advanced from the low point of the depression, exports have declined further. In 1937 exports were equivalent to less than 1.3 million live hogs or only 2.4 percent of total slaughter.

Farmers' slaughter, for home consumption, regularly about 20 to 25 percent of the hogs produced. Adding the estimated value of hogs slaughtered for home consumption in 1937 to the income from sales makes a total of $1,141,000,000 compared with $1,211,000,000 in 1936 and $557,000,000 at the bottom of the depression.

The following table contains estimates of income from sales of hogs, pork, and lard, the value of hogs slaughtered on farms for home consumption, and the combined or gross income from hogs from sale and from home consumption.

Year	Cash income from sales of hogs, pork, and lard	Value of hogs slaughtered for home consumption	Gross income from hogs
	Million dollars	*Million dollars*	*Million dollars*
1909	593	200	792
1910	670	237	907
1911	617	180	797
1912	647	182	829
1913	740	207	948
1914	713	209	921
1915	691	194	886
1916	949	237	1,186
1917	1,299	394	1,693
1918	1,866	505	2,372
1919	1,911	522	2,433
1920	1,385	423	1,808
1921	857	248	1,105
1922	1,024	248	1,271
1923	1,027	211	1,239
1924	1,064	219	1,283
1925	1,319	302	1,621
1926	1,407	323	1,730
1927	1,237	273	1,510
1928	1,218	229	1,448
1929	1,297	244	1,541
1930	1,136	233	1,369
1931	774	176	950
1932	445	113	557
1933	524	108	631
1934	521	125	646
1935	671	206	878
1936	965	247	1,211
1937	907	234	1,141

O. C. STINE,
Chairman Income Committee.

Honey—No Surplus

HONEY is one of the few agricultural products of which there is no surplus carry-over this year, practically all of the 1937 supply having been consumed. A new crop is in the making; conditions in mid-June suggested prospects for increased production of honey this year over last.

Honey has become a 10 million dollar industry, yielding income to beekeepers in every State. Production is estimated at 160 million pounds a year. There are about 4.5 million colonies of bees; the industry is more widely distributed than many other agricultural enterprises. Many individual commercial beekeepers operate 1,000 or more colonies.

California produces more honey than any other State. Since 1930, average production in California has been around 15 million pounds. Ohio and Michigan are next in order of production.

North Dakota has the largest average yield, bees gathering close to 100 pounds to the colony from the sweet

clover plants in the Red River Valley. Average production the country over is less than 40 pounds to the colony.

NEW ways to market honey, to use it in manufactured foods, to process it in industrial products, are constantly being developed. The consumption of honey by the bakery industry has been increasing; large quantities are bought by meat packers for use in the curing of hams.

Industrially, quantities of honey are used in cigarettes and in chewing tobacco, in cosmetics, in curing tobacco pipes, in shaving cream, in golf balls. The wax, valued at $800,000 to $1,000,000 a year, is used chiefly in making candles, cosmetics, honeycomb foundation, polishes, and insulation.

Honey is being marketed chiefly as liquid honey in bottles, and in 5-pound and 10-pound tins. In 1909, only 35 percent of the total production was in the extracted form; today, 75 to 80 percent of the total output is extracted. Section comb honey, so popular in former days, is now seldom seen.

THERE are more than 100 different flavors and blends of honey, ranging from strong, dark Buckwheat to light-colored, mild Clover, Raspberry, Orange, or Sage. But about half of all the commercial honey comes from the clovers and sweet clovers.

Probably the lightest-colored honey is Fireweed, produced on the cut-over lands in the Pacific Northwest and in Michigan and Wisconsin. Orange honey is thought by many to be the "sweetest."

The two principal nongranulating honeys are Tupelo from Florida and Georgia swamps, and Sage from the black and purple sages of the California ranges. These are in demand by bottlers, since the nongranulating feature is conveyed in some degree to the blends in which they are used.

HAROLD J. CLAY.

The Commodity Exchange Administration

PROPOSED limits on speculative trading in grain futures were recently announced by Secretary Wallace, acting under authority of the Commodity Exchange Act. Limits would be put upon the net long or short position held or controlled by any one person, and also upon the amount of daily purchases and sales by any one person. The proposed order relates to wheat, corn, oats, rye, barley, and flaxseed.

The proposals were submitted to the Commodity Exchange Commission, which consists of the Secretary of Commerce, the Attorney General, and the Secretary of Agriculture. They were the result of long investigation and study, and a series of public hearings, by the Commodity Exchange Administration. It was announced that the Commission would make known its decision after July 10, the expiration date for the filing of exceptions.

THIRTY farm products are now traded on commodity exchanges and boards of trade the country over. The list includes a diversity of commodities, from barley and butter to tobacco and wool top. Of the 30, futures trading in 14 is under the supervision of the United States Department of Agriculture through the Commodity Exchange Administration.

Trading in futures dates back to the Civil War, when speculation in wheat reached such vast proportions the Chicago Board of Trade adopted rules recognizing trading in grain futures as a distinct commercial practice. Trading in cotton futures on the New York Cotton Exchange followed in 1870.

Other commodities were added through the years. Now, trading in the 14 commodities under supervision of the Commodity Exchange Administration amounts to about 25 billion dollars a year—only slightly less than the transactions in all stocks and bonds

traded on all the stock exchanges of the country. Futures trading in wheat totals 12 billion dollars a year, in cotton more than 9 billion, in corn more than 3 billion.

Volume and Estimated Value of Futures Trading in Commodities under Jurisdiction of the Commodity Exchange Administration

[10-year average, 1926–27—1935–36] [1]

Commodity	Volume of futures trading	Estimated value of futures trading	
		Dollars	Percentage
	Thousands	*Thousands*	
Wheat	11,352,161 bushels	$11,917,101	46.8
Corn	4,114,909 bushels	3,046,267	12.0
Oats	919,592 bushels	363,093	1.4
Rye	447,972 bushels	344,476	1.4
Barley	69,902 bushels	42,854	.2
Flaxseed	33,780 bushels	70,423	.3
Grain sorghums			.0
Cotton	130,878 bales [2]	9,355,000	36.7
Rice			.0
Millfeeds	578 tons	10,380	(3)
Butter	464,000 pounds	140,000	.5
Eggs	515,000 dozen	129,000	.5
Potatoes	1,022 bushels	1,098	(3)
Wool top	35,635 pounds	38,132	.2
Total		25,457,824	100.0

[1] For some of the minor commodities annual averages are based on a period of less than 10 years.
[2] Estimated.
[3] Less than 0.1 percent.

FIFTY-five years ago, in 1883, a bill was introduced into the United States House of Representatives designed to "prohibit the mailing of letters and money orders relating to future contracts." Since then more than 200 bills have been introduced into Congress providing for the prohibition, supervision, or regulation of trading in commodity futures on organized exchanges.

One of these bills, enacted into law in 1921, was the Futures Trading Act, which provided a limited measure of supervision over trading in the principal grains. But the bill had been based upon the taxing power of Congress, and most of its provisions were later invalidated by the Supreme Court as an unlawful exercise of the taxing power.

Four months later the Grain Futures Act, virtually identical with the invalidated Futures Trading Act but predicated upon the commerce clause of the Constitution, was enacted. Its constitutionality was upheld by the Supreme Court in 1923.

THIRTEEN years later, in 1936, President Roosevelt approved a bill changing the name of the Grain Futures Administration to Commodity Exchange Administration and adding cotton, rice, butter, eggs, Irish potatoes, and millfeeds to the list of commodities under its supervision. On April 7, 1938, the new act was amended to add wool tops.

Constitutionality of the Commodity Exchange Act was subsequently challenged in three cases brought in Federal district courts to enjoin its enforcement. All three cases were dismissed upon hearing. Petitions for certiorari direct to the United States Supreme Court were denied and on appeal to the United States circuit courts of appeals, decisions were rendered upholding the constitutionality of the law.

Following decisions by the circuit court of appeals, petitions for certiorari were filed in the United States Supreme Court. On October 11, 1937, the Supreme Court refused to grant certiorari, thereby affirming by implication the decisions of the circuit courts of appeals sustaining the validity of the Commodity Exchange Act.

THE Commodity Exchange Act was enacted in an affort to assure fair and honest dealing on the exchanges and to prevent excessive speculation which may cause unjustifiable price changes.

It provides for the placing of limits upon speculative transactions; it makes cheating, fraud, manipulation of prices, and the execution of fictitious transactions criminal offenses. It requires commission firms to treat and deal with customers' margin moneys and moneys accruing as the result of trades as belonging to such customers; to prevent commingling such funds with the funds of brokers or using these funds for extending credit to others.

Regulatory functions include supervision of all futures transactions on designated commodity exchanges, the registration of futures commission merchants and floor brokers, and the placing of limitations upon the size of speculative transactions.

They include the elimination of fictitious transactions, the prevention of manipulation and issuance of false information, the elimination of fraud and deceit, the prevention of misuse of customers' funds, and the regulation of delivery practices and procedure.

SIXTEEN commodity exchanges and boards of trade have been designated as contract markets under the act; more than 900 futures commission merchants and nearly 700 floor brokers have been registered. A survey has revealed that more than 2,000 principal and branch offices in 46 States, the District of Columbia, Hawaii, and in 14 foreign countries are maintained by registered futures commission merchants.

In an effort to prevent traders from manipulating or unduly influencing prices, every futures commission merchant and every large trader (any trader who may have an open position equaling or exceeding 200,000 bushels of grain or 5,000 bales of cotton) is required to report his operations each day to the Commodity Exchange Administration.

The Administration carefully scrutinizes these reports in conjunction with analyses of price movements, to detect any attempt to influence prices, and to take corrective measures. The market letters and "gossip" sheets issued by commission houses also are reviewed to prevent the issuance of false or misleading information designed to influence prices.

ONE of the primary activities of the Commodity Exchange Administration during the past fiscal year has been the examination of books and records of futures commission merchants, to assure compliance with the provision of the act forbidding the use of customers' funds except for the benefit of such customers.

It was found in many instances that customers' funds were not properly segregated, but when this failure to comply with the law was pointed out, corrective steps were almost invariably taken. It has been necessary to prosecute in only a few instances.

Comprehensive statistics on all regulated commodities are being compiled. Heretofore no authoritative information relating to futures transactions in cotton, butter, eggs, potatoes, and millfeeds have been available.

The Administration also has in preparation an analysis of all contracts in all commodities under its jurisdiction open on January 31, 1938. This is the first national survey of futures trading in commodities under its supervision in all contract markets.

AN investigation of major importance now being made by the Administration is a hearing on a complaint filed by one of the largest grain companies of the country against the Chicago Board of Trade.

This company charged that the Chicago Board of Trade had manipulated prices downward in September 1937, and had unlawfully extended the time for delivery on September contracts in 1936.

The company has been expelled from the Chicago Board of Trade for having manipulated prices and attempting to corner the corn market in September 1937 in violation of exchange rules.

This is the first case of manipulation which has been brought under the provisions of the Commodity Exchange Act; the results will have far-reaching consequences.

J. W. T. DUVEL,
Commodity Exchange Administration.

Canning Crops—$50,000,000 Industry

Truck crops for canning or manufacture are another important branch of the agricultural industry, covering more than 1 million acres, yielding to producers an average annual cash income of 50 million dollars.

The accompanying article describes the scope of this industry; the production and income cycles through which it moves; the way in which the acreage and income of the producers are controlled by the canners and processors.—Ed.

IN recent years, about 1.1 million acres have been planted, on the average, to truck crops for canning or manufacture. Much of this acreage is in the North Central and the Middle Atlantic Coast States. There is a considerable acreage on the Pacific coast. The industry employs several hundred thousand producers; it yields an average cash income of about 50 million dollars a year.

Plantings of many of the truck crops for canning or manufacture have been reduced this year. The combined total acreage is about 13 percent less than in 1937. Reductions in planted acreage are: tomatoes, 15 percent; sweet corn, 18 percent; green peas, 8 percent; cucumbers for pickles, 23 percent; spinach, about 40 percent. Acreages of snap beans and beets may be slightly increased.

The reduction in plantings this year reflects the relatively large stocks of canned vegetables expected to be carried over into the 1938–39 season and the relatively low prices received for canned vegetables during the past year. It emphasizes also a situation peculiar to the canning crops: the control which the canning industry exercises over the production of these products.

A LARGE proportion of these cannery vegetable crops is grown under contract between canners or processors and the growers—practically all of the peas and sweet corn, about 90 percent of the snap beans, and about 85 percent of the tomatoes. The processors make annual contracts with growers for certain quantities of the different varieties at stated prices in advance of planting time.

The processors can increase production by offering to contract for larger quantities or acreages at a slightly higher level of prices; they can de-

crease production by offering to contract for smaller quantities at lower prices. Thus as a rule growers receive their largest returns for the largest output.

BECAUSE of this particular characteristic of the industry the acreage and production of truck crops for market and the income derived therefrom tends to fluctuate in more or less regular cycles.

In the last 20 years, periods of 2 years of declining production were followed by 3 years of increasing output. Other factors such as unusual weather conditions or great shifts in general demand conditions tended to cause irregularities in the cycles but in general the 5-year swings have been fairly regular.

To illustrate, the acreage of truck crops for canning or manufacture was at peak levels in 1918, 1925, 1930, and 1937 and at relatively low levels in 1921, 1927, and 1932. The drought in 1934 and 1936 caused the cycle for 1930–37 to be longer than usual.

Income to producers from these crops followed much the same cyclical trend with high peaks of 63 million, 73 million, 71 million, and 68 million dollars, respectively, in 1918, 1925, 1930, and 1937, and low levels of 28 million, 45 million, and 27 million dollars in 1921, 1927, and 1932.

From the standpoint of acreage and income received from production, tomatoes, sweet corn, and green peas are by far the most important. Tomatoes contribute an average of about 17.9 million dollars annually to the total, sweet corn about 6.4 million, and green peas about 9.7 million. Crops of minor importance are cucumbers for pickles, snap beans, asparagus cabbage for kraut, spinach, pumpkins, and squash, beets, lima beans, and carrots.

ALTHOUGH the acreage and production of these canning crops fluctuates in more or less regular cycles, the general level has gradually increased during the last 20 years. In 1937 the harvested area, totaling 1.5 million acres, was the largest on record. Relatively high yields on this large acreage resulted in a large production of most of these crops; this in turn produced the largest total canned pack of vegetables on record.

About 117 million cases of 24 No. 2 cans of the major vegetable crops were packed in 1937, compared with about 97 million cases in 1936, with 108 million in 1935 (the previous record large pack), and 60 million in 1932 (the most recent small pack). The 3 relatively large packs in the last 3 years may be attributed to the unusually large consumption of canned vegetables in the drought years of 1934 and 1936 when carry-over stocks were depleted.

Because of the large pack in 1937 and the sharp decline in consumer purchasing power in the 1937–38 marketing season, the carry-over of canned vegetables into the 1938–39 season may total close to 16 million cases—the largest since 1932–33. In 1937 the carry-over was about 6 million cases.

G. BURMEISTER.

Thirty years ago there were about 5,000 creameries in the United States, producing about 550 million pounds of butter; now there are less than 3,500 producing more than 1.6 billion pounds a year. Factors have been the improvements in motor trucks and roads, enabling creameries to widen the area from which cream and milk may be economically obtained.

Production of maple products on farms in 10 Northern States totaled 23.3 million pounds expressed in terms of sugar, in 1938, compared with 21.1 million pounds in 1937, with 20.2 million in 1936. Trees tapped totaled 11.7 million, about the same as in 1937, slightly less than in 1936. The 1938 harvest period was short in most States, the flow of sirup light, the weather during the harvest generally unfavorable.

Measures of Domestic Demand

Industrial production, practically stable during the first quarter at about 79 (1923–25=100 percent), declined 3 points during the first 2 months of the June quarter. This second quarter decline was accompanied by further deterioration in the other principal measures of domestic demand which are shown in the accompanying tabulation.

An estimated decline of 3½ percent in nonagricultural income in the second quarter was offset in part by a moderate increase in agriculture's contribution, with the result that national income was down only about 3 percent from the first quarter.

Weekly indexes of business activity turned up slighty after mid-June suggesting that the recession in productive activity has been halted, at least temporarily. Even though the average June level may have been little if any below that of May, national income and purchasing power have probably declined somewhat further.

Though retail food prices were substantially lower in May this year than at the peak just a year earlier they had recovered moderately since last February. Living costs other than food have trended slightly downward since last December but by May had lost only one-half percent.

The improvement in construction activity at the beginning of the second quarter has been maintained. Residential building is being stimulated by the more liberal loans permitted under the 1938 revisions to the Federal Housing Act and additional funds for public projects are now becoming available from the augmented recovery funds recently approved by Congress.

P. H. Bollinger.

Measures of Domestic Demand

[1924–29=100]

	May				Percent change		
	1929	1933	1937	1938	1937–38	1933–38	1929–38
National income	106.1	58.5	96.8	84.5	−13	+44	−20
Nonagricultural income:							
Total	106.5	60.3	96.9	85.6	−12	+42	−20
Per capita	101.4	55.8	86.4	75.8	−12	+36	−25
Factory payrolls:							
Total	109.5	42.4	102.1	67.3	−34	+59	−39
Per employed wage earner	103.8	64.2	99.8	86.6	−13	+35	−16
Industrial production:							
Total	114.2	73.0	110.5	71.1	−36	−3	−38
Factories processing farm products	108.2	105.4	110.6	86.9	−22	−18	−20
Other factory production	118.4	55.4	110.1	61.0	−45	+10	−49
Construction activity:							
Contracts awarded, total	100.0	13.2	46.3	42.1	−9	+219	−58
Contracts awarded, residential	86.9	9.9	39.4	33.1	−16	+234	−62
Employment in production of building materials	94.3	34.4	64.0	48.8	−24	+42	−48
Cost of living:							
Food	98.6	60.2	83.3	76.2	−9	+27	−23
"All other items"	97.7	80.3	84.4	85.9	+2	+7	−12
Purchasing power of nonagricultural income per capita:							
For food	102.8	92.7	103.7	99.5	−4	+7	−3
For "All other items"	103.8	69.5	102.4	88.2	−14	+27	−15

NOTE.—All indexes adjusted for seasonal variation except "Cost of living."

There was a less-than-seasonal increase in farm labor employment in May, the June 1 figures showing 93 hired laborers per 100 farms of crop reporters, compared with 101 at the same time last year. The reduction in hired hands is attributed largely to the lower level of farm income this year.

General Trend of Prices and Wages

[1910–14=100]

Year and month	Wholesale prices of all commodities [1]	Industrial wages [2]	Prices paid by farmers for commodities used in [3]—			Farm wages	Taxes [4]
			Living	Production	Living and production		
1920	225	222	222	174	201	239	209
1921	142	203	161	141	152	150	223
1922	141	197	156	139	149	146	224
1923	147	214	160	141	152	166	228
1924	143	218	159	143	152	166	228
1925	151	223	164	147	157	168	232
1926	146	229	162	146	155	171	232
1927	139	231	159	145	153	170	238
1928	141	232	160	148	155	169	239
1929	139	236	158	147	153	170	241
1930	126	227	148	140	145	152	238
1931	107	208	126	122	124	116	217
1932	95	179	108	107	107	86	188
1933	96	172	109	108	109	80	161
1934	109	183	122	125	123	90	153
1935	117	192	124	126	125	98	158
1936	118	200	122	126	124	107	156
1937	126	215	128	135	130	120	----------
May	128	220	----------	----------	134	----------	----------
June	127	220	129	141	134	----------	----------
July	128	219	----------	----------	133	123	----------
August	128	221	----------	----------	132	----------	----------
September	128	216	129	132	130	----------	----------
October	125	214	----------	----------	128	126	----------
November	122	206	----------	----------	127	----------	----------
December	119	208	126	127	126	----------	----------
1938—January	118	204	----------	----------	126	111	----------
February	116	208	----------	----------	126	----------	----------
March	116	208	123	128	125	----------	----------
April	115	204	----------	----------	[5] 125	115	----------
May	114	201	----------	----------	[5] 125	----------	----------

Year and month	Index numbers of farm prices [August 1909–July 1914=100]								Ratio of prices received to prices paid
	Grains	Cotton and cottonseed	Fruits	Truck crops	Meat animals	Dairy products	Chickens and eggs	All groups	
1920	232	248	191	--------	174	198	223	211	105
1921	112	101	157	--------	109	156	162	125	82
1922	106	156	174	--------	114	143	141	132	89
1923	113	216	137	--------	107	159	146	142	93
1924	129	212	125	150	110	149	149	143	94
1925	157	177	172	153	140	153	163	156	99
1926	131	122	138	143	147	152	159	145	94
1927	128	128	144	121	140	155	144	139	91
1928	130	152	176	159	151	158	153	149	96
1929	120	144	141	149	156	157	162	146	95
1930	100	102	162	140	133	137	129	126	87
1931	63	63	98	117	92	108	100	87	70
1932	44	47	82	102	63	83	82	65	61
1933	62	64	74	105	60	82	75	70	64
1934	93	99	100	103	68	95	89	90	73
1935	103	101	91	125	118	108	117	108	86
1936	108	100	100	111	121	119	115	114	92
1937	126	95	122	123	132	124	111	121	93
June	139	107	157	124	137	113	95	124	93
July	139	106	145	96	144	116	102	125	94
August	119	90	123	104	151	119	109	123	93
September	111	74	121	117	144	123	119	118	91
October	93	67	99	130	136	128	127	112	88
November	85	65	88	124	120	132	135	107	84
December	86	64	76	112	111	136	127	104	83
1938—January	91	66	70	101	110	128	113	102	81
February	89	68	68	121	110	121	94	97	77
March	85	70	69	107	117	117	93	96	77
April	82	71	68	117	114	110	93	94	[5] 75
May	79	71	77	99	111	103	98	92	[5] 74
June	77	68	73	99	116	98	99	92	[5] 74

[1] Bureau of Labor Statistics Index with 1926=100, divided by its 1910–14 average of 68.5.
[2] Average weekly earnings, New York State factories. June 1914=100. Revised.
[3] These indexes are based on retail prices paid by farmers for commodities used in living and production reported quarterly for March, June, September, and December. The indexes for other months are interpolations between the successive quarterly indexes.
[4] Index of farm real estate taxes, per acre, 1913=100.
[5] Preliminary.

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